



BOARD OF SUPERVISORS

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# COUNTY OF LOS ANGELES DEPARTMENT OF CONSUMER AND BUSINESS AFFAIRS

*"To Enrich Lives Through Effective and Caring Service"*



Joseph M. Nicchitta  
Director

Joel Ayala  
Chief Deputy

Rafael Carbajal  
Chief Deputy

## Hearing Officer/Department of Consumer & Business Affairs

Hearing Date  
08/15/2019  
Agenda Item No.  
3

## Transmittal Checklist

Petitioner Name: Lonzell Branch  
Case Number: RSQ19-04420  
Case(s): IRSO Petition for Relief from Moratorium  
DCBA Staff: Shannon Louis

- ☒ Petition Summary
- ☒ Parcel Profile Report (separate attachment)
- ☒ Staff Report
- ☒ Burden of Proof Statement(s)
- ☒ Supporting Documents (separate attachment)
- ☐ \_\_\_\_\_

Reviewed By: Dana Pratt



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**Case Number**  
RSQ19-04420

**Hearing Date**  
8/15/2019

## PETITION SUMMARY

**PETITIONER NAME**  
Lonzell Branch

**PETITION DATE**  
April 24, 2019

## PETITION OVERVIEW

Petitioner filed a Petition for Relief from Moratorium, requesting to increase rent in excess of the allowable limit as outlined in the Interim Rent Stabilization Ordinance, Ordinance Number 2018-0045. The Petitioner states they are not receiving a fair return on the property.

## PROPERTY ADDRESS

**2131 W. 104<sup>th</sup> Street Place Los Angeles, California 90047**

**2133 W. 104<sup>th</sup> Street Place Los Angeles, California 90047**

## KEY ISSUES

- The two rental units on the property are currently rented out for a reported total of \$2,416.80 monthly
- Petitioner is requesting a monthly increase of \$168.20 (6.99%)
- Petitioner initially issued rent increases to the tenants in October 2018 above 3% and is currently returning any overpayments that occurred
- Petitioner will be increasing rent by 3% in October 2019

## STAFF RECOMMENDATION

Denial

**DCBA STAFF:** Shannon Louis 213-974-4118 SLouis@dcba.lacounty.gov

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August 7, 2019

**TO:** Gina Natoli, AICP  
Hearing Officer

**FROM:** Shannon Louis

**Case No. RSQ19-04420**

**Lonzell Branch vs. Tenants of 2131-2133 W. 104th Street Place Los Angeles,  
California 90047**

**Hearing Officer Meeting: August 15, 2019 – Agenda Item: 3**

### **Petition Description**

*Interim Rent Stabilization Ordinance(IRSO) Petition for Relief from Moratorium*

Petitioner is requesting a rent increase above the maximum allowable limit (currently 3%) for the covered rental units located at 2131-2133 W. 104th Street Place Los Angeles, California 90047 in the unincorporated area of West Athens in Los Angeles County.

The Petitioner reports receiving \$2,416.80 monthly or \$28,769.80 annually in income for the two units located at the addresses listed above. The Petitioner reports a total of \$363.16 or \$4,357.92 annually in operating expenses. The Petitioner reports the following operating expenses: property taxes, property insurance, maintenance and repairs, plumbing, gardening, pest control and water. Based on the supporting documentation provided by the Petitioner, DCBA has calculated the monthly income and expenses for the property in Figure 1.

### **Use Type**

Multi-Family Residential; 0200

### **Year Built/Certificate of Occupancy(COO)**

1947

### **Previous Petitions/History**

N/A

### **Staff Evaluation & Burden of Proof**

According to Ordinance No. 2018-0045, DCBA has determined that the property 2131-2133 W. 104th Street Place Los Angeles, California 90047 is covered under the Los Angeles County Interim Rent Stabilization Ordinance and is subject to its conditions.

The IRSO covers residential dwellings on properties with two or more units in the unincorporated areas of Los Angeles County with initial certificates of occupancy or equivalent issued on or before February 1, 1995. **Ordinance No. 2018-0045 Section 1(A) and Section 1(B).**

The IRSO limits rent increases to 3% once per 12-month period and applies to any rent increase taking effect on or after September 11, 2018, unless a greater rent increase is authorized in order to allow a landlord to earn a fair return. **Ordinance No. 2018-0045 Section 3(A).**

The IRSO regulates Housing Service Adjustments and indicates that a decrease in Housing Services can be considered an increase in Rent. Rent and Housing Services are defined in Section 2 of the IRSO. **Ordinance No. 2018-0045 Section 3(C).**

The IRSO and implementing rules/regulations define a fair return as ensuring a landlord may maintain the value of the net operating income (NOI) earned from the property prior to the regulation of rents under the IRSO and continue those earnings during the pendency of the IRSO. NOI is defined as gross income less operating expenses. Maintaining the value of the NOI is achieved by ensure NOI increases no less than any increase in the consumer price index (CPI) for the Los Angeles area, as reported monthly by the [U.S. Department of Labor, Bureau of Labor Statistics \(BLS\)](#). To maintain NOI, the County compares a landlord's NOI prior to the IRSO and at the time the landlord petitions the County for a rent increase, to ensure the NOI received when the petition is submitted has increased in value equal to the change in CPI. This evaluation is summarized in Figure 1, below and discussed thereafter.

The proposed monthly increase of \$168.20 would increase the total rental income for the property from \$2,416.80 to \$2,585.00 (6.99%) monthly. According to the ordinance, the landlord may already be allowed to increase the rental income by 3%, depending upon the date of the most recent rent increases for the units. It should be noted that the Petitioner issued the allowable increase (3%) for all units at the property dating back to October 2018. Therefore, the Petitioner is not entitled to any more than \$2,416.80 (base rent plus 3% allowable IRSO increase) until after October 2019 – unless another determination is made by the Hearing Officer. **Ordinance No. 2018-0045 Section 3(A)(1).**

Figure 1: Petitioner vs. DCBA Staff Income and Expense Calculations

	Base Year (September 2017-August 2018)		Petition Year (September 2018-August 2019)	
	Petitioner	DCBA Staff	Petitioner	DCBA Staff
Gross Income	\$26,220.00	\$26,220.00	\$28,769.80	\$28,769.80
Operating Expenses	\$4,357.92	\$5,235.98	\$4,321.96	\$5,414.46
<b>Net Operating Income (NOI)</b>	\$21,862.08	\$20,984.02	\$24,447.84	\$23,355.34
CPI	265.962	265.962	274.38	274.38
Change in CPI	3.17%	3.17%		8.418(3.17%)
Adjusted NOI (Base Year NOI x Change in CPI)	\$22,555.11	\$21,649.21		
<b>Funds necessary to maintain NOI (Adjusted NOI less Petition Year NOI):</b>	<b>\$(1,892.73)</b>	<b>\$(1,706.13)</b>		

Numbers provided are per month

Figure 1: Petitioner vs. DCBA Staff Income and Expense Calculations

The following expenses were reported by the Petitioner: property taxes, property insurance, maintenance and repairs, plumbing, gardening, pest control and water. The Petitioner reports a net operating income (NOI) in 2018 (the "Base Year") equaling \$21,862.08. The Petitioner reports a monthly NOI in 2019 (the "Petition Year") equaling \$24,447.84. It appears the increase NOI between the Base Year and Petition Year is due to a decrease in operating expenses and increase in total rental income between the Base Year and Petition Year. Based on the numbers and documentation provided by, the petitioner's net operating income appears to have increased. The evidence provided includes utility bills, bank statements, canceled checks, and maintenance invoices provided by the Petitioner.

DCBA has calculated a reported a net operating income (NOI) in 2018 (the "Base Year") equaling \$20,984.02. DCBA reports a NOI in the 2019 (the "Petition Year") equaling \$23,355.34. It should be noted that DCBA arrived at this number with consideration of the Petitioner's expenses related to property taxes, insurance, maintenance and repairs, and utilities for the property. Mortgage costs are not considered to be an eligible expense for the purposes determining fair return in the implementation of the IRSO. This is done in an effort to treat tenants fairly irrespective of a landlord's creditworthiness. It appears DCBA calculated increase in NOI between the Base Year and Petition Year is due to an increase in total rental income between the Base Year and Petition Year. The evidence provided includes utility bills, bank statements, canceled checks, and maintenance invoices provided by the Petitioner.

Please note that DCBA determined that property taxes paid were higher than the reported amount in both the Base Year and Petition Year, resulting in the difference between the operating expenses reported by the Petitioner and those calculated by DCBA.

The CPI for the Base Year (September 2018) is 265.962. The most recent CPI published by the BLS is 274.380, which reflects an increase in 8.418 or 3.17 percent from the Base Year. For the Petitioner to maintain the value of the NOI earned from the Property in the Base Year (\$20,984.02) that amount must have increased in accordance with the change in CPI (3.17%). Accordingly, the CPI-inflated monthly NOI should equal at least \$21,649.21 ( $\$20,984.02 \times 1.0317$ ). Here, DCBA calculates a reported NOI of \$23,355.34 which exceeds the CPI-inflated NOI. Therefore, the Petitioner should not be entitled to an increase in rent in order to maintain the value of the NOI earned in the Base Year.

#### **Proof of Service/Notice of Hearing**

The Petitioner, Lonzell Branch, returned the Proof of Service form to the DCBA on April 25, 2019. The DCBA sent the original Notice of Hearing on May 17, 2019.

#### **Public Comments**

N/A

#### **Fees/Deposits**

N/A

#### **Staff Recommendation**

The following recommendation is made prior to the public hearing and is subject to change based upon testimony and/or documentary evidence presented at the public hearing:

Staff recommends DENIAL of the Interim Rent Stabilization Ordinance Petition for Noncompliance – Case Number RSQ19-04420.

#### **SUGGESTED STATEMENT**

I, THE HEARING OFFICER, CLOSE THE PUBLIC HEARING AND FIND THAT THE INTERIM RENT STABILIZATION ORDINANCE PETITION FOR RELIEF FROM MORATORIUM CASE NUMBER RSQ19-04420 IS <b>DENIED</b> , SUBJECT TO THE ATTACHED CONDITIONS.
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#### **Suggested Denial Statement**

Prepared by Shannon Louis

Reviewed by Dana Pratt

#### **Attachments**

Initials JMN:DP: sl

(8/7/19)

**BURDEN OF PROOF STATEMENT**

DCBA Case #:

RSQ19.04420

**Section III: Reason for Petition** (explain in detail why you are requesting a hearing)

\* RENTAL INCREASE FOR PROPERTY DUE TO  
INSUFFICIENT INCOME TO MAINTAIN PROPERTY

\* OWNER IS NOT RECEIVING A FAIR RATE OF  
RETURN ON PROPERTY

\* RENTS IN AREA ARE 20+% MORE THAN BASE RENT

Current Rent:

#1 1125  
#2 1060

Proposed Rent (if known):

18% - \$1325  
18.8% - \$1260

HAVE YOU RECEIVED OR ISSUED A NOTICE OF RENT INCREASE IN EXCESS OF THE ALLOWABLE LIMIT?

☒ Yes ☐ No

IS THIS MATTER URGENT?

☐ Yes ☒ No

REASON FOR URGENCY (must attach relevant documents in order to be considered):

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